



Tobacco Company

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MEMORANDUM TO: RJR ACCOUNT MANAGERS - WAM DISTRIBUTORS

SUBJECT: DISRUPTION PAYMENT OFFER TO WAM DISTRIBUTORS

BACKGROUND

Since the Accrual portion of the 1996 WAM Promotion Test Program was canceled in December, a series of discussions have occurred between RJR, WAM Enterprises, and some of its Distributor Members... the outcome is a decision to offer each WAM Distributor a payment to offset some of the costs incurred from any disruption to their companies.

OBJECTIVES

- Secure a signed "Disruption Payment Settlement" (the document we are providing to you to deliver to your WAM Distributor for filling out with their signature)
- Assist in re-establishing customer good will to enlist their continued support of "Signature," or our WAM promotions, or all other current or future RJR wholesale programs

ACTION REQUIRED BY YOU ASAP

- Immediately secure ASAP an appointment with the "owner/key principal" of your WAM Distributor... attempt to rearrange other customer appointments if necessary
- Use the attached "Disruption Payment Settlement" form to gain account's signature by delivering this to the account at your meeting
- Request that the customer do the following:

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- Fill in the "worksheet" document (see attached), indicating the number of calls his company had to sell or un-sell the Accrual Program to determine the disruption payment for the customer
 - This number of retail calls (x) times \$20.00 per call will be the dollar equivalent RJR will provide to the WAM Distributor in the form of "no charge" product/credit memo on the next future purchases of RJR full price brands only as a disruption payment
 - WAM Customer should either return the "Disruption Payment Settlement" document to you during the meeting, or fax within two days to the attention of Larry Schreiber (FAX (910) 741-4684 - Phone (910) 741-1621)
- Disruption Payment to WAM Distributor
RJR will provide your WAM Distributor a total dollar equivalent of \$20.00 per retail call (per door) for the total number of retail calls his sales organization had contacted and sold the RJR/WAM Accrual Program and, in turn, had to re-contact to notify them of an accrual program cancellation

Example:

ABC Distributor		Total Number of Retail Calls <u>Re-Contacted</u> to Un-Sell the Accrual Program	
		375	
Total Retail Calls Contacted by WAM Distributor	375	X	Disruption Fee Per Call
			\$20.00
			Total Disruption Payment for Distributor
			\$7,500

Using the example, the WAM Distributor will be allowed to order, at no charge, RJR full price brands in the form of a credit memo, until the value of cases ordered consumes his \$7,500 remuneration. A special order procedure document will be furnished to the WAM Distributor later, instructing the distributor how to order the "no charge" product.

IMPORTANT

You will have the discretion to allow your WAM Distributor, with your approval, to determine the total number of retail calls he claims and submits for \$20.00 per call reimbursement.

LIMITATION!!!

The WAM Distributor cannot claim a total number of retail calls which would exceed the total number of retailers he sells cigarettes to as reported by AIM. Attached is the AIM Report which lists the estimated average number of retailers over a 13-week period where cigarettes were delivered by each WAM Distributor.

IMPORTANT POSITIONING -- REMARKS BY RJR ACCOUNT MANAGERS

- Statements you should provide as positioning to your WAM Distributor are:
 - "RJR recognizes that our customer good will is an important part of our business relationship. Consequently, we will provide you with a financial reimbursement in recognition of disruption caused from the cancellation of the accrual portion of the WAM Program"
 - "We are going to offer you an equivalent dollar value of full price cigarettes as 'no charge' product. The dollar value will be determined as follows:
 - RJR will pay each distributor \$20.00 for each retail call the distributor had to make to 'un-sell' the WAM Program as originally presented (one payment per call; the maximum number of calls will be per RJR's AIM data from the wholesale distributor)."

We want you to provide us with the total number of retail calls which qualify for the \$20.00. Record this figure on our form, sign and return to me now, or fax in two days to Larry Schreiber (Fax: (910) 741-4684).

QUESTIONS AND ANSWERS (For potential questions)

Question

When and how will I order the "no charge" product via credit memo?

Answer

RJR will provide you with instructions to do so shortly, after we receive your signed document.

Question

I have other costs which I incurred... goodwill, etc. Will RJR consider any other form of reimbursement?

Answer

This "no charge" product offer is a one-time proposal to simply recognize distributor's efforts; nothing else is planned, however, we still have available the "Signature" Private Label and WAM Promotions which help earnings potential on Partners.

NOTE: Any dollar value claimed by the customer must not exceed the total number of AIM calls x \$20 per call.

Larry

Larry Schreiber

LSS/kp

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WORKSHEET

WAM DISTRIBUTOR ACCOUNT NAME _____

WAM DISTRIBUTOR SIS ACCOUNT NUMBER _____

Total Number of Retail Calls
WAM Distributor had to
Re-Contact to Un-Sell the
Program

X \$20.00 Per Call =

Total Disruption Payment

\$ _____

The individual WAM Distributor will be allowed to order at "no charge" RJR full price products equivalent to the amount indicated above... as Total Disruption Payment.

Return this worksheet, along with "Disruption Payment Settlement" document to Larry Schreiber, R. J. Reynolds -- Fax: (910) 741-4684.

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AIM DATA

WAM DISTRIBUTORS

NAME	AVERAGE ESTIMATED # RETAIL ACCOUNTS REPORTED WEEKLY ON AIM
PINE STATE	1850
CITY SALES	420
GEM STATE	N/A
GEM STATE	190
A. E. WEASE	375
MARMAX (ROCK ISLAND)	700
MARMAX (DES MOINES)	460
MINTER WISEMAN	1590
SOUTHCO	800
SLEDD	540
MOUNTAIN CDY	375
HAGMAN (STILLWATER)	60
HAGMAN (HAYS)	60
HAGMAN (WICHITA)	200
HAGMAN (F.S. EDWARDS, LENEXA)	150
HAGMAN (SPRINGFIELD)	420
HAGMAN (PITTSBURG)	75
HAGMAN (TOPEKA)	115
	1080
GUMMER	350
PETER DENNIS	275
COOPER BOOTH	670
CITY WHOLESALE	880
CASH WA	750
AXTON CANDY	<u>675</u>
	11,980

DISRUPTION PAYMENT
SETTLEMENT

R. J. Reynolds Tobacco Company (RJR) hereby agrees to provide (Distributor) a credit of \$ _____ which may be used by (Distributor) during 1996 to purchase RJR full price products. As consideration to RJR, (Distributor) hereby releases and discharges R. J. Reynolds Tobacco Company and its employees from all potential claims, liability, demands or actions which may be connected with or arise from RJR's promotion test or private label agreements with WAM Enterprises, Inc. or the cancellation of a ten cents per carton accrual on RJR 1996 volume.

R. J. REYNOLDS TOBACCO COMPANY

(DISTRIBUTOR)

By: _____

By: _____

Date: _____

SIS Account No. _____

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